

No. 8479

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
MALAWI**

**Development Credit Agreement—*Highway Engineering Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 4 October 1966**

*Official text: English.*

*Registered by the International Development Association on 20 December 1966.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
MALAWI**

**Contrat de crédit de développement — *Projet routier* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 4 octobre 1966**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 20 décembre 1966.*

No. 8479. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*HIGHWAY ENGINEERING PROJECT*) BETWEEN THE REPUBLIC OF MALAWI AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 4 OCTOBER 1966

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AGREEMENT, dated October 4, 1966 between REPUBLIC OF MALAWI (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association to make available a development credit to assist in financing the detailed engineering and related studies of the highways described in Schedule 2 to this Agreement, and the Association is willing to make a development credit to the Borrower for the said purpose on the terms and conditions hereinafter in this Agreement set forth; and

WHEREAS the Association would be prepared to refund the said development credit out of the proceeds of any later development credit which it may make to the Borrower for the construction of the said highways;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

CREDIT REGULATIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,<sup>2</sup> with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) The words " at the same rate " in the second sentence of Section 2.02 are deleted and the words " at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum " are substituted therefor.

(b) Section 3.01 is deleted and the following new section is substituted therefor :

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<sup>1</sup> Came into force on 4 November 1966, upon notification by the Association to the Government of Malawi.

<sup>2</sup> See p. 228 of this volume.

“SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

“ (b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“ (i) on account of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;

“ (ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“ (c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. ”

(c) A new Section 3.04 is inserted after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. ”

(d) Section 3.04 is renumbered as Section 3.05.

(e) Paragraph (j) of Section 5.02 is deleted and the following new paragraph is substituted therefor :

“ (j) Failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this Development Credit Agreement or under any other development credit agreement between the Borrower and the Association or under any loan agreement or guarantee agreement between the Borrower and the Bank or under any bond delivered pursuant to any such agreement even though payment has been made by other persons. ”

(f) Section 8.04 is deleted.

(g) Section 8.05 is renumbered as Section 8.04.

## Article II

### THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or

referred to, a development credit in an amount in various currencies equivalent to four hundred and ninety thousand dollars (\$490,000).

*Section 2.02.* The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in this Development Credit Agreement.

*Section 2.03.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Development Credit Agreement, to withdraw from the Credit Account :

- (i) the equivalent of 85 per cent (or such other percentage as may from time to time be agreed between the Borrower and the Association) of such amounts as shall have been paid to the consultants under the contracts referred to in paragraph (c) of Section 3.01 of this Agreement; and
- (ii) if the Association shall so agree, the equivalent of a like percentage of such amounts as shall be required to meet payments under paragraph (i) of this Section;

provided, however, that no withdrawals shall be made on account of expenditures prior to December 1, 1965.

*Section 2.04.* The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

*Section 2.05.* Service charges shall be paid semi-annually on April 1 and October 1 in each year.

*Section 2.06.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

### *Article III*

#### PARTICULAR COVENANTS

*Section 3.01.* (a) The Borrower shall carry out the Project with due diligence and efficiency, in conformity with sound engineering and financial practices, and in accordance with design standards satisfactory to the Association.

(b) The Borrower shall provide, promptly as needed, the funds, facilities, services and other resources required to carry out the Project.

(c) (i) In carrying out of the Project, the Borrower shall employ competent and experienced consultants acceptable to the Association to an extent, and under such contracts and terms of reference, as shall be satisfactory to the Association;  
(ii) The Borrower shall not amend, assign, waive, suspend or terminate any

contract entered into pursuant to this paragraph (c) so as to substantially affect the carrying out of the Project, without the prior agreement of the Association.

(d) The Borrower shall promptly furnish to the Association (i) a description of the overall planning and the work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request; and (ii) copies of the documents prepared under the Project including any reports, studies, plans, designs, specifications, construction schedules and estimates of costs, as well as any documents required for international competitive bidding in respect of the construction contracts for the highway specified in paragraph A of Schedule 2 to this Agreement.

(e) The Borrower shall maintain or cause to be maintained records adequate to show the use of the proceeds of the Credit, and to record the progress of the Project (including the cost thereof); shall enable the Association's representatives to inspect the Project and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project and the operations and administration, with respect to the Project, of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

*Section 3.02.* (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

*Section 3.03.* The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

*Section 3.04.* This Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

#### *Article IV*

##### REMEDIES OF ASSOCIATION

*Section 4.01.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time during the continuance thereof, the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon such declaration such principal shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

#### *Article V*

##### MISCELLANEOUS

*Section 5.01.* The Closing Date shall be December 31, 1967, or such other date as shall be agreed between the Borrower and the Association as the Closing Date.

*Section 5.02.* If this Development Credit Agreement shall not have come into force and effect by December 15, 1966, this Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such date.

*Section 5.03.* The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

The Secretary to the Treasury  
Ministry of Finance  
P. O. Box No. 53, Zomba, Malawi

Alternative address for cables and radiograms :

FINSEC  
Zomba

For the Association :

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Alternative address for cables and radiograms :

Indevas  
Washington, D.C.

*Section 5.04.* The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Malawi :

By John Z. U. TEMBO

Authorized Representative

International Development Association :

By J. Burke KNAPP

Vice President

#### SCHEDULE 1

##### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>
October 1, 1968 . . . . .	\$30,625	October 1, 1972 . . . . .	\$30,625
April 1, 1969 . . . . .	30,625	April 1, 1973 . . . . .	30,625
October 1, 1969 . . . . .	30,625	October 1, 1973 . . . . .	30,625
April 1, 1970 . . . . .	30,625	April 1, 1974 . . . . .	30,625
October 1, 1970 . . . . .	30,625	October 1, 1974 . . . . .	30,625
April 1, 1971 . . . . .	30,625	April 1, 1975 . . . . .	30,625
October 1, 1971 . . . . .	30,625	October 1, 1975 . . . . .	30,625
April 1, 1972 . . . . .	30,625	April 1, 1976 . . . . .	30,625

#### SCHEDULE 2

##### DESCRIPTION OF PROJECT

The Project consists of the services required for the following :

- A. Detailed engineering of a highway of approximately 168 miles connecting Zomba with the Lilongwe-Mchinji road west of and near to Lilongwe, to include a detailed survey,

soil studies, detailed design, estimation of quantities, and the preparation of cost estimates and the documents required for international competitive bidding in respect of the construction contracts for the said highway.

- B. Review of the detailed engineering of and cost estimates for improving a highway of approximately 90 miles connecting Lilongwe with the Malawi-Zambia border via Mchinji, prepared by the Department of Roads of the Borrower, to include revision thereof as necessary, and such additional studies and investigations as may be required to complete such detailed engineering and cost estimates.
- C. The engineering and economic studies to determine the location of the highway specified in paragraph A above.

The Project is expected to be completed by September 30, 1967.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS  
WITH MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

MALAWI EMBASSY  
WASHINGTON, D.C.

October 4, 1966

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433

Re : *Currency of Payment*  
*Credit No. S-2 MAI (Highway Engineering Project)*

Dear Sirs :

We refer to the Development Credit Agreement (*Highway Engineering Project*) of even date herewith between the Republic of Malawi and the International Development Association and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United Kingdom of Great Britain and Northern Ireland.

- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) or than one theretofore designated pursuant to this clause (ii) or selected pursuant to clause (iv) we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice, we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.
- (v) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Malawi :  
By John Z. U. TEMBO  
Authorized Representative

*Confirmed:*

International Development Association :

By A. G. EL EMARY

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